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Advertising Age®

Crain's International Newspaper of Marketing. In Two Sections. Section 1.

The party's over

Food giants pull back on marketing, but boost promotion

By JULIE LIESSE ERICKSON and JUDANN DAGNOLI

FORT LAUDERDALE, FLA.—Food marketers are putting the brakes on big marketing budget increases as they focus more attention on the bottom line.

At the same time, these marketers increasingly are favoring consumer and trade promotion at the expense of media advertising.

"Marketing and advertising budgets are coming down across the board—and that's for good," said Eric Larson, analyst with First Boston Corp. "With increasing commodity costs and changes in trade relationships, companies need to watch the bottom line."

Wrestling with such issues as drought-related hikes in commodity costs, continuing takeover fears, unrelenting price promotion and more demands from retailers, marketers attending the Consumer Analysts Group of New York's annual meeting here predicted sharply lower increases in marketing budgets.

For example:

- Quaker Oats Co. said it will halve its budget increase to an estimated 10% to 12% from its traditional 20% to 25%. "Our marketing increases will be more in line with sales increases than in the recent past," Chairman-CEO William Smithburg said.
- Michael Miles, president-chief operating officer of the newly merged Kraft General Foods Group, projected "substantial" marketing increases but probably at about half the 1988 rate, when Kraft spending was up 18%.
- Anheuser-Busch will try to make up some of its $100 million in drought-related costs by "re-evaluating its marketing expenditures this year," said Jerry Ritter, exec VP-group executive. Because A-B won't incur any Olympic-related expenses, the company's marketing expenditures will decline. But Mr. Ritter said ongoing beer advertising won't be cut.
- Kellogg Co. plans to reduce marketing expenses by "re-evaluating the way we remunerate our agencies, the way we buy media and how many new products we introduce," said Horst Schroeder, president-chief operating officer.

Industry ad spending will "go up more in line with sales," said John Maxwell, an analyst at Wheat First Securities. In the past, marketers had raised ad budgets 20% or more when sales had gone up only 15%, he said.

Whatever the increase, the bulk isn't expected to go into advertising. Instead, food marketers will shift those increases into price promotions, couponing and trade allowances.

"There's a great transfer of dollars into promotion at the expense of advertising," said Ralston Purina Co. Chairman William Stiritz.

Mr. Stiritz said he's worried about "how the emergence of a format like Wal-Mart or hypermarkets as the retail prototype of the future will affect the package-goods companies." His concern is the large chains' ability to demand lower prices and more promotional discounts.

Other companies that are high on promotion include Hershey Foods Corp., which told analysts that while its ad spending remained flat in 1988, at $97 million, its promotional spending soared 40% to $245 million.

Borden said its promotional spending will leap 20% in 1989, compared with a 4% jump in ad spending.

And Campbell Soup Co. said promotional activity will increase this year for frozen-food products and Prego spaghetti sauces, where Campbell is locked in a war with Chesebrough-Pond's Ragu.

It's possible the food marketing mix could eventually reach 70% promotion and 30% advertising, said Bonnie Rivers, a Salomon Bros. analyst.

"Dry grocery is growing at only 1% on a year-to-year basis. Every one of us food companies is aiming for 5% growth. That means

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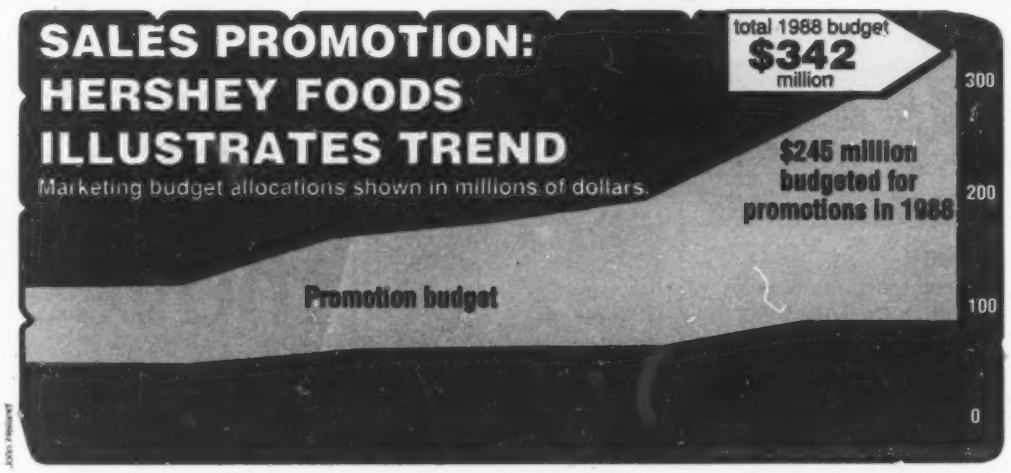

Last Minute News

Conn. lawmaker backs ad tax

HARTFORD, CONN.—An influential state senator Friday introduced an ad-tax bill that appears virtually identical to a measure passed and then repealed in Florida two years ago. The bill introduced by Sen. William DiBella (D., Hartford) would extend the state's 7.5% sales tax to in-state and national advertising. Sen. DiBella, who co-chairs the Taxation, Finance & Bonding Committee that has jurisdiction over his bill, estimates the measure would bring in at least $100 million a year. Ad groups that had expected the bill's introduction hope their clout in Connecticut—home to at least 100 companies belonging to the Association of National Advertisers—will prevail and the measure will be defeated.

RJR ready to sell two units

ATLANTA—RJR Nabisco's first asset sales since its acquisition by Kohlberg Kravis Roberts were said to be "imminent" at press time. The spinoffs of Del Monte and Chun King foods are likely to happen first, with Castle & Cooke and an unidentified Japanese company, respectively, mentioned as the likeliest acquirers. McCann-Erickson Worldwide, San Francisco, is Del Monte's main agency; Lowe Marschalk, New York, is Chun King's main agency. The Planters LifeSavers division is believed to be next to go on the auction block. Separately, executives are close to naming a new RJR ceo, sources said. Analysts' speculation centered on James Morgan, staff senior VP-marketing and planning for

(Continued on Page 8)

Hot magazine exits Murdoch unit, hurt by 'TV Guide' push

By PATRICK REILLY

One of the country's fastest-growing magazines has defected from Rupert Murdoch's U.S. distribution company because it fears losing newsstand and checkout-counter clout to Mr. Murdoch's *TV Guide*.

Soap Opera Digest last week dropped Murdoch Magazines Distribution Division for Time Distribution Services, the national magazine distributor jointly owned by Time Inc. and New York Times Co. Magazine Group.

Gerry Ritterman, president of *Soap Opera Digest* parent Network Publishing Corp., cited indications that *TV Guide* had become top priority at Murdoch Magazines.

His prime concern was getting prominent display space for *Soap Opera Digest* at a time of heightened promotion of similarly sized *TV Guide*.

"I need a distributor who will defend us as well as expand us,-and I mean defend us from *TV Guide*," Mr. Ritterman said. "I feel safe with TDS. They don't have any digest-size magazines. And we are looking at going weekly, and TDS, with magazines like *Time* and *People*, understands weekly."

Mr. Ritterman added, "Before Murdoch, Triangle handled all the premier digest-size magazines—*TV Guide*, *Soap Opera Digest* and *Reader's Digest*—and everybody got an even shake. Now they want as much circulation for *TV Guide* as possible. If my boss had paid $3 billion for something, I would pay attention to it first, too."

Soap Opera Digest's single-copy sales have grown from about 400,000 four years ago to the current level of 857,357 every two weeks. It now has an average total circulation of more than 1.1 million.

Joe Elm, Murdoch's VP for single-copy sales, said *Soap Opera Digest* left because

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Rushdie's days as an adman
Page 4

Sears breaks biggest blitz

By KATE FITZGERALD

Sears, Roebuck & Co. breaks the biggest ad campaign in its history today, and it will follow that media blitz with a significant boost in consumer contests and promotions.

The nation's largest retailer makes its long-anticipated switch this week to "everyday low pricing," with plans to be a more visible promotional marketer. Programs include a national sweepstakes tied to the numbers on Sears' 45 million charge cards.

Sears closes its 824 stores tomorrow and reopens March 1 with an intensive three-week ad campaign using TV, print and radio to announce its new merchandising strategy (AA, Feb. 20).

A pool of eight 30-second commercials will air a total of 700 times during the next three weeks on broadcast and cable TV networks and syndicated programming, Sears said.

Sears will air its TV spots 700 times to support its move to everyday low pricing.

During this first week, Sears commercials will air every half-hour during network prime-time programming.

Sears says this will result in "roadblocks" on the Big 3 networks twice tonight (at 9 p.m. and 9:30 p.m. ET) and four times on Feb. 28 (8 p.m., 8:30 p.m., 9 p.m. and 9:30 p.m. ET).

Sears also has bought between 100 and 150 network radio slots a day during the three-week launch.

Print ads touting the lower pricing on some 50,000 Sears items start today in 900 newspapers.

Ogilvy & Mather, Chicago, is Sears' agency.

After the big launch, Sears' new marketing game plan calls for a significant level of promotional marketing activity later in the year, said Thomas E. Morris, VP-advertising, and dramatic shifts in its newspaper advertising program.

"Instead of weekly inserts focusing on price-off ads, we'll be theming more preprints around promotions and events that will bring flash and excitement to our stores and our advertising," he said.

One of those promotions is believed to be a nationwide, newspaper-advertised sweepstakes using customers' Sears charge card ac-

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Ayer makes new regional moves for BK

By GARY LEVIN and SCOTT HUME

N W Ayer is moving ahead with plans to restructure and regionalize its Burger King Corp. account despite questions raised by last week's reappearance of creative work from previous agency J. Walter Thompson USA.

This week, Ayer will announce "working arrangements" with sales promotion agencies for regions surrounding New York and Atlanta, an Ayer executive said. The move is part of the agency's continuing effort to restructure the account.

Burger King's national sales promotion agency, Einson-Freeman, Paramus, N.J., won't be involved with the local promotional efforts—also part of the chain's regional restructuring—but will continue to handle national promotions.

Jeff McElnea, president of the WPP Group-owned Einson, said the actions don't "mean our work for Burger King on the national level will be undercut at all."

The nature of Ayer's "working arrangements" couldn't be determined, but the agency said it has similar plans for the two remaining regions surrounding Los Angeles and Chicago.

"We're not buying any companies," said the Ayer official, who asked not to be identified.

The regional restructuring previously reported means that essentially autonomous "agencies-within-an-agency" in New York, Chicago, Los Angeles and Atlanta will report to regional Burger King marketing directors. The national account group is still supervised by Ayer Exec VP-Managing Director of Account Services Dominick Rossi in New York.

The Los Angeles and Chicago units already existed; a regional Burger King account group was created in New York (separate from the national group), and a smaller one is being "beefed up" in Ayer's Atlanta office.

Ayer Chairman Louis Hagopian confirmed that two TV spots that broke last week for a Big Cheese double cheeseburger promotion use footage created in 1984 by JWT, New York, for a promotion of a product then called Cheeseburger Deluxe (AA, Feb. 20).

A JWT official said footage from that agency is also being used in other Burger King ads but said the practice isn't unusual since Burger King owns the rights to all its advertising.

Mr. Hagopian denied that a major campaign was being presented to Burger King management or its franchisees this week. Sources said franchisees will be meeting this week in Miami with top Burger King executives and executives from owner Grand Metropolitan.

LOUIS HAGOPIAN

Mr. Hagopian said a spring campaign was presented and approved three to four weeks ago and production of new TV spots will start soon.

Burger King marketing executives couldn't be reached for confirmation.

Also, Mr. Hagopian said Burger King "never was $200 million," despite press reports and the tacit confirmation of that figure by Burger King and Ayer when it won the account. Burger King spent $150 million last year, Mr. Hagopian said, including advertising for all local promotional activity.

In 1987, the year Ayer took over the account from JWT, spending on network and local TV alone was $163 million. In 1986, it was $166 million.

Several Burger King franchisees said they don't expect major changes in marketing until Grand Met finishes hand-picking its top management team for Burger King.#

Olds effort pays off in ad-recall survey

By SCOTT HUME

General Motors Corp.'s Oldsmobile Division finally got a return on its advertising investment last month when its ads placed seventh among the top 10 best-recalled advertisers in ADVERTISING AGE's monthly adWatch survey.

Before its new ad campaign, sales for the once-proud Oldsmobile nameplate were down nearly 30% from two years earlier.

To halt that slide, Oldsmobile and Leo Burnett USA, Chicago, created a new campaign intended to reposition the line in consumers' minds, especially young consumers for whom the Olds name often connoted stodginess more than excitement.

Boldly announcing a "New generation of Olds," the new campaign began Sept. 15 during NBC-TV's Summer Olympics coverage. The commercials feature such celebrities as actors William Shatner and Priscilla Presley, singer Frankie Avalon, game show host Monty Hall, former astronaut Scott Carpenter, auto racer Gary Bettenhausen and musician Dave Brubeck, along with each one's son or daughter (AA, Sept. 12).

"This is not your father's Oldsmobile," the ads insist.

To ensure that people saw and remembered the commercials, Oldsmobile increased its ad budget by 20% to about $120 million.

The company undoubtedly will be cheered to learn that consumer recall for its advertising was strongest among respondents ages 35 to 44, presumably the target audience for the new pitch.

Oldsmobile's newfound recall strength continued when respondents were asked to name the first car or truck advertising that came to their minds. Olds placed fourth in January, with 3.8% of first mentions, compared with fifth and 3.2% in December.

Ford maintained its hold on the top spot with a 22.6% share of first mentions; GM's Chevrolet was second with 21.9%; Toyota was third with 9.6%.

Missing from the top 10 overall were any of the other new campaigns unveiled during the Summer Olympics broadcast. The Beef Industry Council, for example, also invested in celebrity faces for its $30 million "Real food for real people" campaign but didn't make the top 10.

Neither did Xerox Corp., GTE Corp. or Eastman Kodak Co. All three broke new creative during the Games that seems not to have outlasted the Olympics in viewers' memories.

One other advertiser that made an impact in January was Anheuser-Busch. Its Budweiser/Bud Light team is in the top 10 in almost every monthly survey. But in January, advertising for Budweiser and Bud Light was the best recalled for the first time since the December 1987 survey.

The January adWatch survey was conducted by the Gallup Organization before the Jan. 26 Super Bowl telecast during which A-B's "Bud Bowl I" commercial series appeared.

Other studies suggested that the commercials, showing a mock football game between bottles of Bud and Bud Light, were among the best-recalled from the Super Bowl.

Following Bud and Bud Light, others in January's top 10 were, in descending order, Coca-Cola, Chevrolet, McDonald's Corp., Ford, Pepsi-Cola, Oldsmobile, Miller Brewing Co., the California Raisin Advisory Board and Procter & Gamble Co.'s Tide.

AdWatch is a joint project of AD AGE and the Gallup Organization. Advertising awareness is measured by asking a nationally projectable sample to name the first advertising that comes to mind from all seen, heard or read in the previous 30 days. Last month, 1,000 adults were polled by phone. The margin of error is 3.1%.

Among other changes last month:

- What happened to Apple Computer? Its share of first mentions had been building for the past three months (up 4.8 points in October, up another 4.4 in November and then up 3.5 in December).

But last month, when respondents were asked which **computer** advertising they recalled first, Apple was named by 34.6%, down 7.4 points from its 42% share in December.

IBM Corp. remained in the No. 2 spot and posted a modest 2.9-point gain with a 24.8% share of first mentions. Radio Shack was third with 2.5%.

- The fight for the top spot in the **soft-drink** category continues. In January, Coca-Cola won the recall race, garnering 36.7% of first mentions, compared with Pepsi's 36.1%. In December, Pepsi had been in front by a similarly slim margin, 36.6% to 35.9%.

Diet Coke, which Coca-Cola Co. has been heavily promoting, took the No. 3 spot with a 6.8% share of mentions, its strongest showing ever.

- McDonald's continues to redefine the meaning of strong showing. Last month, it topped the adWatch record of 52.5% (which it set in December) by getting 53.2% of first mentions in the **fast-food** category.

Burger King Corp. was a distant second with 12.4%, followed by Wendy's International with 5.4%.#

For more information, contact the Gallup Organization, 301 S. 68th St., Lincoln, Neb. 68506. Phone: (402) 489-0351.

ADWATCH SURVEY OF ADVERTISING AWARENESS TOP 10 IN JANUARY

Last month, 1,000 people were asked: Of all the advertising you have seen, heard or read in the past 30 days, which advertisement first comes to mind? Source: Gallup Organization, Lincoln, Neb.

Rank 1/89	12/88	Advertiser	Agency
1	7	Budweiser/Bud Light	DMB&B/DDB Needham Worldwide
2	10	Coca-Cola	McCann-Erickson Worldwide
3	3	Chevrolet	Lintas:Campbell-Ewald
4	1	McDonald's	Leo Burnett USA
5	2	Ford	J. Walter Thompson USA
6	5	Pepsi-Cola	BBDO Worldwide
7	—	Oldsmobile	Leo Burnett USA
8	4	Miller	J. Walter Thompson USA/Backer Spielvogel Bates
9	6	California raisins	Foote, Cone & Belding
10	—	Tide	Saatchi & Saatchi Advertising

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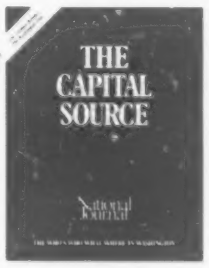

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National Journal

What the Leaders Read.

Coke gives screen test to new cinema ad idea

By CHRISTY FISHER

Coca-Cola Co. will test consumer reaction to four types of theater advertising, including a new concept that pairs an ad message with a music video.

The soft-drink giant plans to conduct the test for a weekend starting March 10 in United Artist and American Multi-Cinema theaters in Dallas, New York and southern California, said Peter Caparis, Coca-Cola director of theater and prestige advertising.

The purpose of the 12-theater test is to determine which type of advertising is most effective in reaching people ages 12 to 30.

Before the movie, each theater will show the same made-for-cinema Sprite commercial, either on-screen; on-screen with a slide; on a TV monitor in the lobby; or paired with a music video.

Coca-Cola is working on the music video with Dallas-based Avatar's Music Cinema Network. Lowe Marschalk, New York, created the 60-second spot.

When the spot is paired with a music video, an opening on-screen board will give information about the song and artist, said Skip Honeycutt, Avatar president. The presentation closes with the sponsor's logo.

The test probably will use a music video of Boy Meets Girl singing "Bring Down the Moon."

"When you look what happened to network TV and the erosion and fragmentation of the audience, cinema advertising is a great way to supplement that buy," Mr. Caparis said. "But we're not sure how consumers feel about it, and that's why we're doing the test. We've seen mixed consumer reaction."#

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Special Report

Upjohn takes a shine to balding women

As Rogaine's potential with male market thins, marketer eyes new target for hair-growth drug

By Laurie Freeman

Bald women. Top-flight models and actresses have shaved their heads to play roles, gain attention, assume an exotic look.

For millions of American women, however, baldness is neither glamorous nor something they are paid to do. It is unsightly, unacceptable and totally unwanted. It is also a condition Upjohn Co. is betting they will pay handsomely to reverse.

The men's market for hair-growth products has thinned, analysts say. Now, Upjohn is setting its sights on the potentially lucrative women's market for its anti-baldness drug, Rogaine Topical Solution.

The size of the women's market is open to question. Analysts estimate that 20 million of the approximately 55 million balding U.S. adults age 20 to 45 are women. This represents 15.5% of U.S. women.

However, a recent Gallup Organization survey commissioned by ADVERTISING AGE puts the total number of balding women at 7.2 million or 5.6% of U.S. women.

"Thinning hair in women is a much more sensitive subject," says Neil Sweig, drug and healthcare analyst at Prudential-Bache. "Hair is a major part of a woman's total look."

To cash in on women's hair-loss concerns, Upjohn is introducing Progaine shampoo. The hair thickener is considered a companion to Rogaine and could benefit from its sound-alike name. The Progaine ad campaign, which targets both men and women, breaks today.

Women may be a responsive buying segment for hair-replacement products such as Rogaine. They spent most of the $24 billion in 1987 on over-the-counter and salon haircare, and analysts estimate the market for women's hair-growth treatments could reach $105 million in sales annually.

According to AA's Gallup findings, 13.3% of surveyed women losing their hair have sought treatment while only 9.9% of balding men have done so. The survey also shows that 38.6% of women would seek treatment if they were losing their hair; 30.4% of men say they would seek treatment.

Upjohn is betting women will be loyal purchasers because it is less socially acceptable for them to go bald. According to the marketer's estimate, 90% of the women losing their hair have male pattern baldness, which Rogaine is designed to treat.

Upjohn will set out to reach the women's market by seeking Food & Drug Administration approval this summer to market Rogaine to women. Last August, it won FDA approval to market the drug, a hair-growth stimulant comprising 2% minoxidil, to men. The ads and TV commercials do not mention Rogaine because federal regulations prohibit the use of brand names in prescription-drug advertising to consumers.

The FDA spent 2½ years sifting through Upjohn's application and 70,000 pages of documents before granting approval for Rogaine. Analysts say the FDA typically does not take as much time to approve a new application for the same product.

According to an Upjohn spokeswoman, initial 1982 and 1983 clinical trials included too few women for the company to draw "hard and fast" conclusions about how well minoxidil works on them. Upjohn began studying Rogaine's effect on women in 1987.

But women are not waiting, responding to ads for the product that show a balding man. The spokeswoman says Upjohn has received inquiries from women who have asked their physicians for Rogaine prescriptions.

Anything that broadens Rogaine's target audience would be welcome, analysts say. "Wall Street was overly excited about how well the product would do," says Robert Uhl Jr., pharmaceutical industry analyst with Salomon Bros. "Rogaine is more of a consumer product, which takes longer to build a franchise than a drug."

Rogaine also is expensive, costing about $700 to $900 annually—including visits to a physician. Once the regimen has been started, it must be used twice daily *forever* to prevent losing restored hair.

Based on his monthly prescription sales report, Mr. Uhl downgraded his estimate of 1989 Rogaine sales in the U.S. to $80 million from $125 million, and to $110 million from $175 million in 1990. Rogaine had about $30 million in U.S sales in 1988, according to Mr. Sweig.

Upjohn is not the only company trying to get a headstart in the market. Proanagen Corp. is conducting trials of its anti-hypertensive drug diazoxide to determine if the drug is effective in the treatment and prevention of hair loss. The company began clinical studies of its topical solution in mid-1987.

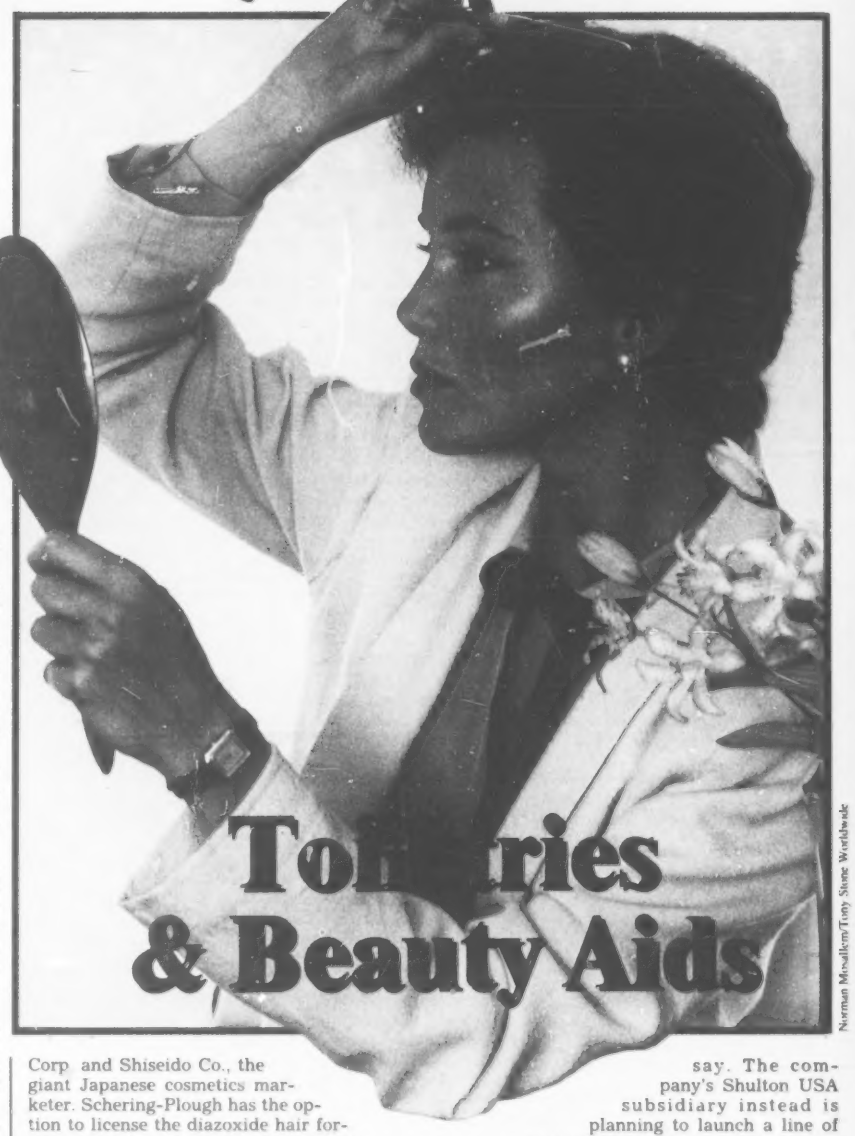
The development of diazoxide is a joint venture between Proanagen, Schering-Plough Corp. and Shiseido Co., the giant Japanese cosmetics marketer. Schering-Plough has the option to license the diazoxide hair formula for sale as a prescription drug in the U.S. and in international markets other than Japan and Southeast Asia, where Shiseido has marketing rights.

The diazoxide formula has a long way to go before it is submitted to the FDA for approval, Mr. Lufkin says. The company only recently began clinical trials to complete the regulatory agency's New Drug Application process.

Another potential competitor to minoxidil dropped out of the category in mid-1988. American Cyanamid Co. halted trials of its viprostol because of its modest response rate and cost of further studies, industry observers say. The company's Shulton USA subsidiary instead is planning to launch a line of mass market non-prescription cosmetic hair-thickener products this year.

Despite the interest in hair-growth drugs among marketers, industry analysts remain skeptical about the category's long-term prospects. But if second and third-generation products can stimulate hair growth less expensively and more effectively than Rogaine, analysts say the market likely will increase substantially.

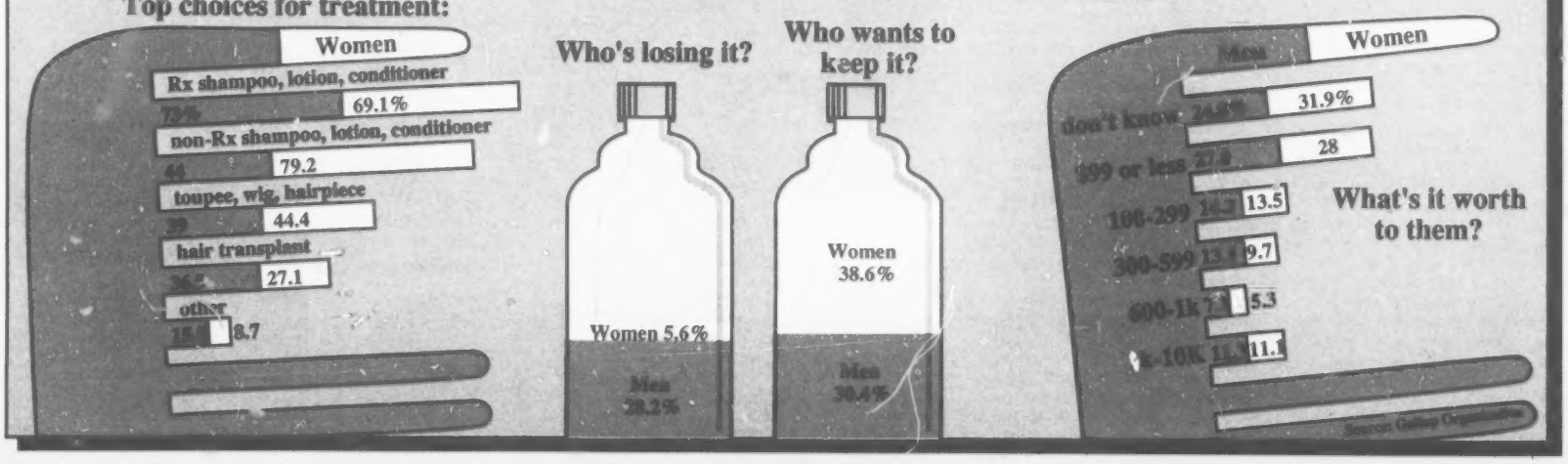
The market's total potential will be known later rather than sooner, Mr. Sweig says. "It's a category that is heavily dependent on consumers' desire to keep their own hair." □



Norman Mosallem/Tony Stone Worldwide

Beauty and the balding market

The chart on "Who's losing it" represents survey respondents experiencing hair loss; other charts reflect opinions of total phone survey pool of 1,000 adults.



'Beautyspeak' runs deep in facial skincare

While talk of Desensitizing Extract or Biomimitism is norm, others go easy

By Pat Sloan

Deciphering the product claims of many skincare treatments is a little like opening up a book on etymology. The words look part Latin, part English and part French; what they mean is anyone's guess.

Under scrutiny from the Food & Drug Administration for using words such as "renewal" and "rejuvenate" too freely, most facial skincare marketers have been coining scientific-sounding terms to sell anti-wrinkle products. Because the words stop short of making actual drug claims, they do not offend the FDA.

But consumers may be confused or turned off by talk of Biomimitism and tissue matrix fluid, so some cosmetic marketers are abandoning bio-babble altogether.

Revlon Group's Ultima division is introducing a product that goes beyond toning down its claims. It makes none.

No Digitized Image Analysis here. No Micro-Targeted Microsomes or Desensitizing Extract. Ads for The Moisturizer, to be introduced in April, will make no claims, and packaging will list only standard benefits, such as hypo-allergenic, non-irritating and fragrance-free. The campaign, created in-house, breaks in May.

Lancome's Niosome system: Is it Biomimitism or is it beauty bio-babbling?

"It's a very straightforward product story," says Ultima President Andrea Robinson. "What we're putting into it are basic [ingredients] that any good product should have."

She says the claim-free ads are consumer driven and not a response to the FDA's crackdown. "It's a gut feeling on my part that women are tired of and confused by testimonials," she says.

Avon Products also is advocating a toned-down message. "Women don't know what words like Biomimisis mean," says Kathy Dwyer, Avon's skincare marketing director. "This creates skepticism; there's a feeling of 'they're trying to pull the wool over my eyes.'"

Avon last year developed Visible Improvement, six skincare products formulated with vitamins and other commonly known natural ingredients, because its research showed that "women are tired of hype," she says.

Instead of promising to minimize signs of aging and revitalize tautness, as many facial-care products do, ads for Visible Improvement, created by N W Ayer, New York, describe the product line as "... Not cure-alls. Not magic. Just simple, single-minded beauty treatments."

Additionally, the company changed advertising for its more technical BioAdvance anti-wrinkle treatment because of FDA pressure. Previous ads claimed to help invigorate the skin's biomatrix; copy now says "BioAdvance with Retinol ... Featured on national TV news and talk shows."

Several marketers are touting derivatives of vitamin A, including retinol and retinyl, in their product claims. But while they may sound like Retin-A, the only anti-wrinkle product the medical community agrees can banish wrinkles, they're not. Johnson & Johnson's Ortho Pharmaceutical unit is seeking FDA approval to market its patented Retin-A as an anti-wrinkle drug.

While Avon and Ultima minimize their ad claims along with pores, others are looking for a middle ground. Germaine Monteil Cosmetiques Corp., another Revlon division, has developed a skincare pitch that combines the simple and complex.

Two 30-second TV spots via Arnell/Bickford, New York, started running this month for Monteil's Triple Action Infusion Firmer. "Unlike some traditional ads that are claims laden, we try to go into the actual mind of the consumer and how she feels about using the product," says Jackie Hadley, VP-marketing for Revlon's Fashion and Designer Group. The product appears throughout the spots, but its scientific name is not mentioned until the end.

Not all skincare marketers are convinced that less is more when it comes to advertising youthful looks. The top three department store brands, accounting for roughly 50% of skincare sales in these outlets, all sport some tie to science.

No. 1 Clinique uses imagery in its ads, which include laboratory technicians and beakers. Its sister product line, No. 2 Estee Lauder, and rival Cosmair Inc.'s No. 3 Lancome, are heavy users of scientific language as well as symbols.

Lauder's ads for Future Perfect from "Estee Lauder Laboratories" include words such as targeted microsomes and lipids. Lancome talks up its Niosome Systeme Anti-Age and Biomimitism.

Now, Elizabeth Arden Inc. is introducing Micro 2000 Anti-Stress Complex, which like Future Perfect suggests technological advances by pointing to the future.

The marketers have been using technological jargon in product names and ad claims to replace words such as "repair, rejuvenate" and "renew," which the FDA disapproves for cosmetics skincare.

Last fall, Lauder sued the agency

(Continued on Page S-4)

Vital statistics

Skincare puts its best face forward

Overall beauty sales at retail ($ billions)

Category	1987	1988	% change
Skincare	$2.4	$2.6	8.3%
Color cosmetics	4.6	4.9	6.5
Haircare	3.4	3.6	5.9
Fragrance	3.7	3.9	5.4
Total	$14.1	$15.0	6.4

Source: Goldman Sachs

Skincare shows it's a shiny spot

Skincare represents the most promising segment of the beauty business.

A proliferation of new products such as anti-aging facial treatments continues to buoy the category's sales, says Sheldon Kasowitz, research analyst at Goldman Sachs. "There's a lot of competitive activity," he notes.

Anti-aging products and facial moisturizers accounted for a large percentage of sales in 1987 and 1988, retailers say. Greater unit sales generated by higher ticket items helped many department stores register double-digit increases in 1989.

However, while many department stores continue to promote higher-price treatment items, sales of mid-price products are sagging, reports Allan Mottus, a leading industry analyst with Mottus & Associates.

"Many marketers simply aren't promoting mid-priced brands and it is hurting the business," he says. "There are consumers who are more price resistant."

This year, mass-market outlets are meeting the void with reasonably priced skincare products. Mr. Mottus says there's a myriad of products scheduled to hit the retailers' shelves in the coming weeks, including skincare lines from Clarion Cosmetics and Cosmair Inc.'s L'Oreal division.

Carey Ahsler, senior consultant at Kline & Co., believes the rush of new entries boosted sales in 1987 and 1988. But she is cautious about the future. She says category growth may be affected by the Food & Drug Administration's efforts to crack down on ad and product claims.

Jeffrey Ashenberg, an analyst at Dean Witter, echoes her concern and adds, "Believable taglines are very important in retaining customers in this category."

Most analysts agree that suncare is the category's brightest spot. In 1987 and 1988, the sub-segment "benefited from all the publicity and warnings of how bad the sun is for your skin," says Paul Cohen, publisher-editor of *Beauty Age*, a leading trade publication.

Top-selling facial-care products

Department store
Clinique
Estee Lauder
Lancome

Broad distribution
Oil of Olay
Vaseline and Pond's
Noxema

Source: Allan Mottus, Mottus & Associates

Customizing catches on

Specially positioned products, items with moisturizing and anti-aging benefits and new entries boasting mistake-proof, custom color have given the color cosmetics category a much needed 6.5% boost.

However, "the basic business is not seeing the kind of increases desired," Mr. Mottus says. "During the holiday season, the big bulk promotions created impact but not the regular stock items.

"In 1988, color cosmetics slid through with a 3% to 4% unit growth," he adds, citing specially positioned products such as Terracotta and Meteorites from Guerlain Inc. as being among the winners.

Face powder showed tremendous growth in 1987, says Ms. Ahsler, and she expects to see similar increases in 1988 when final sales figures are analyzed.

The entire foundation sub-category is continuing on an upward trend, reports a cosmetics buyer at a major Northeast department store chain. "Foundations are the strongest segment of our makeup business," she says.

Although still a very small portion of overall sales, custom color has potential, she says, adding that new, innovative products will continue to fuel category sales.

"Consumers are gravitating toward products that are good for the skin. The Lauder Perfect Lipstick is a good example because it contains moisturizing and anti-aging properties," she says. Shiseido's repositioned color cosmetics also are right on track, she says.

Top-selling color cosmetics

Maybelline
Cover Girl
Clinique
Lancome
Estee Lauder

Source: Allan Mottus, Mottus & Associates

Line extensions bolster haircare

The haircare industry continues to shine as consumers concentrate on keeping their locks clean and healthy.

"There is momentum left in many line extensions in the haircare category. Many existing brands [such as Helene Curtis Industries' Finesse] are being repositioned," Mr. Kasowitz says.

Ms. Ahsler says hair-styling aids, the No. 1 subsegment, is showing sizable sales gains.

"We saw a boom in specialty haircare and styling products," she adds.

Women continue to use hair fixatives, but Mr. Mottus says "they have become more cautious about coloring and perming their hair.

"Women are more active and are shampooing and conditioning more frequently," he says.

The quest for healthy, clean hair has been a boon to higher price salon products and brands sold at mass market but positioned as salon-inspired brands, such as Helene Curtis' Salon Selectives, Vidal Sassoon and Paul Mitchell Systems, Mr. Mottus says.

Top-selling haircare products

Head & Shoulders
Suave
Finesse
Flex
Vidal Sassoon

Source: Allan Mottus, Mottus & Associates

Prices cool fragrances

The fragrance category, posting the slowest growth in the beauty industry, is awash in high prices and an overabundance of new entries, analysts say.

"The fragrance category is flat unit wise," says Mr. Ashenberg. "Dollars are up only slightly. Part of the problem is the [product] life cycle continues to grow shorter."

Additionally, consumers are becoming increasingly price resistant, Mr. Mottus says. He attributes sagging sales in part to higher prices at retail. "Many of the new entry points have climbed above $30," he says.

There has been an emergence of new fragrances, "but it does not represent a category of high growth," reports Ms. Ahsler. "We reported a 3.5% growth for women's fragrances in the middle-priced categories and a mere 2.5% growth for men's fragrances."

Major retailers echo Ms. Ahsler's assessment. Karen Durham, corporate merchandising manager for Jack Eckerd Corp., a 1,600-plus drugstore retailer, says 1988 holiday sales were disappointing.

"Women's fragrance sales were flat to down about 2% this year. Men's fragrance sales were flat as well," she reported at the annual Fragrance Foundation Review of Christmas Past.

One bright spot in this lackluster category is the bath sub-category. Another sub-category to watch, although still small, is environmental fragrances. In 1987, consumers reportedly spent more than $250 million on environmental fragrances, including scented candles, sachets, potpourri, solid perfume oils and scent discs. □

Top-selling fragrance marketers

Avon Products
Revlon Group
Estee Lauder Inc.

Source: Kline & Co.

Researched and written by Donna Italiano, a Fort Lee, N.J.-based free-lance writer.

MAXWELL'S MARKET SHARES

Liquor sales to stay on downward course

By JOHN C. MAXWELL JR.

The overriding theme of the liquor industry last year was predictability, as sales fell again.

Total distilled spirits sales were off 3.3%, domestic spirits dropped 4.1% and imports fell 0.7%.

As has been the case for the past few years, some segments experienced growth. But whiskey, including bonds, blends, straights, Canadians and scotches, declined.

Imported vodka again outperformed all other categories, and domestic vodka followed on the imports' success.

The other spirit that exhibited impressive growth in 1987 and 1988 was tequila, largely attributable to Heublein's Jose Cuervo, up about 15.1% in unit volume last year.

In the 1980s, brown spirits have had a downward drift in sales, with a proportional increase in white spirits sales.

The outlook for 1989 is for yet another year of slight volume decline in spirits, with the exception of specific imports such as vodka.

The top 10 brands of 1988 were the same as in 1987. Bacardi Imports' Bacardi remained No. 1, showing a modest 0.4% decline, though actually increasing market share 0.2 share points to 5%. Four of the top 10 showed volume declines.

Of the 1988 leading brands (those that sell more than 1 million cases), only 15 of the 34 brands showed volume gains. Carillon Importers' Absolut vodka moved up from 21st to 18th place on a 28.6% volume increase. Jose Cuervo tequila moved from No. 19 to No. 17.

In addition to Absolut's growth, Finlandia vodka (Heublein) sales jumped 25% to 375,000 cases and Stolichnaya (Monsieur Henri) sales increased 18.1% to 905,000 cases.

It appears that drinking vodka on the rocks is becoming more of a status symbol among younger drinkers, thus explaining the demand for higher-quality imports. As a result, Glenmore Distilleries has introduced Elduris' Icelandic vodka at the superpremium price of $12 to $14 a bottle.

One of the other significant developments of 1988 may turn out to be the decrease in cordials and liqueurs, down 6.5% in case sales.

Notable is a slowdown in James B. Beam Distilling Co.'s DeKuyper business, which was responsible for much of the category's growth in the past. The cordial/liqueur segment is expected to remain relatively stable; this type of drink has appeal in the accelerating trend toward lower-proof "healthier" alcoholic drinks.

Among the liquor companies, Seagram Co. remained No. 1, increasing market share to 13.5% from 13.2% while total sales declined slightly. The only rank change was Hiram Walker Inc.'s move to fourth from fifth place, edging out Brown-Forman Corp.#

Mr. Maxwell is with Wheat First Securities, Richmond, Va.

TOP LIQUOR COMPANIES — 1988

Top liquor companies by unit volume.

Company	9-liter cases (000) 1987	Mkt. share	1988	Mkt. share
Seagram Co.	22,550	13.2%	22,200	13.5%
Heublein (IDV/GM)	19,850	11.7	20,085	12.2
James Beam (AB)	17,030	10.0	15,942	9.7
Hiram Walker Inc.	11,462	6.7	11,418	6.9
Brown-Forman Corp.	11,908	7.0	9,895	6.0
Schenley (Guinness)	9,118	5.4	9,016	5.5
Bacardi Imports	9,109	5.4	8,950	5.4
Glenmore Distillers	8,555	5.0	8,089	4.9
Schieffelin & Somerset	3,820	2.2	3,810	2.3
Paddington (IDV/GM)	3,553	2.1	3,450	2.1
Buckingham Wile (WB)	2,708	1.6	2,691	1.6
Carillon Importers (IDV/GM)	2,005	1.2	2,423	1.5

Source: John C. Maxwell Jr., Richmond, Va.

TOP-SELLING LIQUOR BRANDS

Domestic depletions of brands selling more than 1 million cases.

Rank	Brand	Company	9-liter cases (000) 1987	% of mkt.	1988	% of mkt.
1	Bacardi	Bacardi Imports	8,179	4.8	8,150	5.0
2	Smirnoff	Heublein (IDV/GM)	7,690	4.5	7,815	4.7
3	7 Crown	Seagram Co.	4,485	2.6	4,440	2.7
4	Popov	Heublein (IDV/GM)	4,050	2.4	4,111	2.5
5	Canadian Mist	Brown-Forman Corp.	3,778	2.2	3,800	2.3
6	Jim Beam	James Beam (AB)	3,670	2.2	3,685	2.2
7	Jack Daniels	Brown-Forman Corp.	3,375	2.0	3,435	2.1
8	Seagram's gin	Seagram Co.	3,200	1.9	3,360	2.0
9	V.O.	Seagram Co.	2,520	1.5	2,480	1.5
10	Gordon's gin	Schenley (G)	2,455	1.4	2,425	1.5
11	Dewar's	Schenley (G)	2,370	1.4	2,350	1.4
12	Canadian Club	Walker (HWI)	2,250	1.3	2,250	1.4
13	Gordon's vodka	Schenley (G)	2,170	1.3	2,205	1.3
14	Windsor Supreme	James Beam (AB)	2,210	1.3	2,200	1.3
15	Black Velvet	Heublein (IDV/GM)	1,900	1.1	1,900	1.2
16	J&B Rare	Paddington (IDV/GM)	1,995	1.2	1,895	1.2
17	Jose Cuervo	Heublein Inc. (IDV/GM)	1,590	0.9	1,830	1.1
18	Absolut	Carillon Importers (IDV/GM)	1,400	0.8	1,800	1.1
19	Kahlua	Walker (HWI)	1,750	1.0	1,750	1.1
20	Kamchatka	James Beam (AB)	1,840	1.1	1,725	1.0
21	Ancient Age	Ancient Age	1,475	0.9	1,372	0.8
22	Tanqueray	Schieffelin & Somerset	1,325	0.8	1,350	0.8
23	Early Times	Brown-Forman Corp.	1,387	0.8	1,340	0.8
24	Gilbey's vodka	James Beam (AB)	1,282	0.8	1,330	0.8
25	Southern Comfort	Brown-Forman Corp.	1,258	0.7	1,320	0.8
26	Gilbey's gin	James Beam (AB)	1,365	0.8	1,300	0.8
27	Kessler	Seagram Co.	1,275	0.7	1,250	0.8
28	Crown Royal	Seagram Co.	1,154	0.7	1,230	0.7
29	Johnnie Walker Red	Schieffelin & Somerset	1,270	0.7	1,200	0.7
30	Skol	Glenmore Distillers	1,140	0.7	1,160	0.7
31	Beefeater	Buckingham Wile (WB)	1,143	0.7	1,130	0.7
32	Cutty Sark	Buckingham Wile (WB)	1,015	0.6	1,035	0.6
33	Lord Calvert	Seagram Co.	1,050	0.6	1,000	0.6
34	Wolfschmidt	Seagram Co.	1,000	0.6	1,000	0.6

Key to parent corporations: (AB) American Brands, (IDV/GM) IDV/Grand Metropolitan, (HWI) Hiram Walker Inc., (G) Guinness and (WB) Whitbread. *Source:* John C. Maxwell Jr., Richmond, Va.

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New tune for Hit Video

Programmer adds to broadcast base

By CHRISTY FISHER

Hit Video USA, the music video network that challenged MTV Networks' market dominance, is working aggressively to expand its affiliate base both domestically and abroad.

At the National Association of Television Program Executives convention in Houston last month, Hit Video said it had reached an agreement with International Broadcast Systems, which distributes TV programming to 92 countries abroad.

In addition, Hit Video believes it received enough commitments from U.S. broadcast affiliates at the NATPE show to reach at least half the 90 million U.S. TV households. When that goal is attained, it plans to start wooing national advertisers.

The music video programmer can look to its future since settling in November its 3-year-old lawsuit against MTV Networks.

In 1985, Hit Video filed a $250 million antitrust suit against MTV Networks, challenging MTV's exclusivity agreements with cable operators and certain video artists. Terms of the settlement weren't disclosed.

"There is room for a peaceful co-existence between Hit Video USA and MTV—although there will always be a competitive spirit," said Connie Wodlinger, president-ceo of Wodlinger Broadcasting, Hit Video's parent.

The reason for the abrupt about-face? Hit Video no longer competes head-on with MTV Networks' MTV: Music Television or VH-1: Video Hits One and it won't compete with MTV Europe.

It has repositioned from a 24-hour music video service primarily for cable to an all-day or partial-day service for network and independent broadcast affiliates.

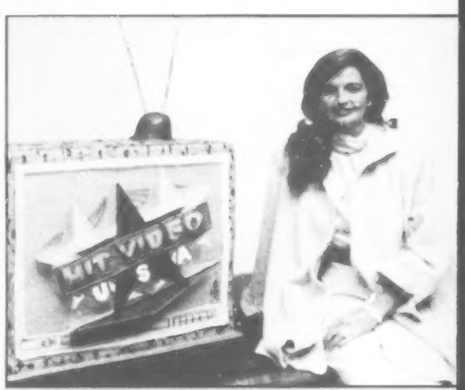
Hit Video now claims to be the largest producer and syndicator of music programming for broadcast TV. It offers 70 hours a week or 10 hours a day of original programming that serves 38 affiliates and reaches more than 41 million TV households.

By yearend, the company expects to reach 60 million to 65 million U.S. households and show its first profit since its inception in 1985.

Hit Video is targeting 245 full-power stations now under construction. These new stations are most likely to need economical programming, and Hit Video offers this through barter syndication, Ms. Wodlinger said.

Under the arrangement, the programming is free, but Hit Video and the station sell commercial time.

A print campaign in trade publications could follow in the third and fourth quarters. West Associates Advertising, Leawood, Kan., handles.



Hit Video USA President-CEO Connie Wodlinger hopes to get more viewers to tune in domestically and abroad.

Despite the new-station emphasis, Hit Video could achieve most of its growth by offering more flexible program packages, Ms. Wodlinger said.

Instead of its standard 70-hour-a-week package, Hit Video is pushing a variety of packages in which programming can be purchased as needed. By doing this, Hit Video hopes to capture more affiliates and gain more daytime presence and prime advertising time.

If there's enough interest, Hit Video may even eventually return to 24-hour cable programming, Ms. Wodlinger said.

But David Benjamin, producer of NBC-TV's "Friday Night Videos," questions whether the music video programming industry has already seen its glory days.

"The heyday of music video was a couple of years ago," Mr. Benjamin said. "What [the industry] is into now is improving programming and holding audience share."

But not all industry observers agree. Mitchell Rowen, publisher of *CVC Video Report*, said that though there's been a shakeout, the industry has stabilized and "there certainly is a large market in local broadcast TV that has not been fully exploited."#

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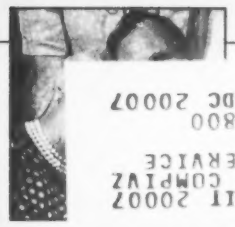

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What's new in suncare marketing—P. 67

Garfield sings praises of Pepsi's Madonna—P. 76

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NEWSPAPER

Advertising Age

Crain's International Newspaper of Marketing. In Two Sections. Section 1.

Controversial TV scenes that have spurred new consumer complaints include those from "thirtysomething" (l.) and "Favorite Son."

Decency debate

Angered by 'lewd' TV programs, groups threaten sponsor boycotts

By WAYNE WALLEY

A new wave of action by the public and major advertisers was unleashed last week against leniency in TV programming.

Coca-Cola USA, Campbell Soup Co., Ralston Purina Co., Kimberly-Clark Corp. and other marketers are upset, both with programs they deem unacceptable ad vehicles and with embarrassing letter-writing campaigns castigating them for time buys.

This controversy appears likely to lead to a new round of attempted consumer boycotts of product marketers that sponsor programs deemed offensive.

Much of this was triggered by a one-woman crusade against Fox Broadcasting Co.'s "Married . . . With Children." Coca-Cola and other companies appear to have answered the Bloomfield Hills, Mich., woman's complaints by either pulling ads from the show or expressing concern.

Terry Rakolta's letter-writing campaign was reported last week in a front-page story in *The New York Times (see story on Page 74)*.

The 41-year-old woman said on ABC-TV's "Nightline" March 2 she'd organize a group to boycott sponsors that support programs such as "Married . . . With Children."

"Married . . . With Children," the most popular Fox show and often described as the antithesis of the more wholesome "The Cosby Show," has lost support of advertisers including Kimberly-Clark and Tambrands.

Those marketers were said to have re-evaluated their sponsorship of the show in part because of Mrs. Rakolta's complaints.

Kimberly-Clark advertised in two episodes of "Married . . . With Children" but said it previously had decided not to continue advertising and emphasized its action wasn't a result of Mrs. Rakolta's letter to the company.

> *"They are allowing things like the word 'bastard' to naturally flow in 'L.A. Law,' but they won't approve of a commercial with the word 'damn.' "*

In a letter to Mrs. Rakolta, Tambrands said the company is "continually reviewing editorial content of our advertising, and upon further review of 'Married . . . With Children,' we have canceled our participation for the remainder of 1989."

Although Fox Broadcasting executives wouldn't discuss the matter, they issued a statement claiming "the article that appeared in *The New York Times* was inaccurate."

They said none of the three advertisers cited in the *Times* article—Coca-Cola, Procter & Gamble and McDonald's Corp.—had actually pulled any national ads because none of their spots had been scheduled to run.

Fox officials said the show was sold out for the year, with a waiting list of sponsors.

The public furor over TV programming, which resurfaces every few years, is fueled this time by the apparent relaxation of network TV standards

(Continued on Page 74)

Carnation links pay, research

By MARCY MAGIERA

LOS ANGELES—Carnation Co. is installing an unusual agency incentive payment system based on how advertising scores in research.

This could mean higher or lower compensation, depending on the testing results.

The Nestle subsidiary's agencies will earn higher pay if their advertising hits pre-established, negotiated target scores in testing done by Advertising Research Systems, Evansville, Ind.

J. McMennamin

The testing will be done before a campaign breaks, but the incentive-pay tabulations will be done at the end of the year, said John McMennamin, Carnation VP-marketing services.

Work also needs to come in on time and on budget, he said.

Carnation spends an estimated $60 million annually on advertising. That figure is steadily increasing, said Mr. McMennamin, though he declined to share how much.

Mr. McMennamin said the system is based on research rather than sales, profits or market share "because there's not a way of tying those explicitly to advertising."

He said Carnation's program, developed in-house with the help of its lead agency, Lintas:New York, is the only compensation plan he knows of based on ad research.

Alvin Achenbaum, chairman of marketing consultancy Canter Achenbaum, Associates, echoed Mr. McMennamin's statement and praised Carnation's choice of research test scores as its incentive base.

"One positive thing [about Carnation's plan]—it's related to advertising as opposed to related to sales, which are a function of many things," Mr. Achenbaum

(Continued on Page 74)

Last Minute News

Saatchi gets new cigarette

NEW YORK—Saatchi & Saatchi Advertising will handle Lorillard's new Spring Lemon Lights cigarette. Like R.J. Reynolds Tobacco's Chelsea (AA, Feb. 6), the Lorillard cigarette emits a pleasant aroma from the lit end. Also at Saatchi, Thompson Medical Co. has reassigned its Dexatrim brand to the agency, which launched the appetite suppressant in 1979. Laurence, Charles, Free & Lawson had handled the $20 million-to-$25 million account since 1986. The new account is the largest Saatchi has won since the merger of Saatchi & Saatchi Compton and Dancer Fitzgerald Sample in 1987.

McElligott leaves ad world for year

MINNEAPOLIS—Tom McElligott last week said he won't do advertising work for one year because of contractual obligations to his former shop, Fallon McElligott, and its parent, Scali, McCabe, Sloves, New York. Mr. McElligott, 45, severed his ties with Fallon in December (AA, Dec. 12).

Coke beats Pepsi to MTV deal

ATLANTA—Coca-Cola USA beat out Pepsi-Cola Co. to win a sponsorship deal for Diet Coke as the official soft drink of MTV's "Spring Break '89"

(Continued on Page 8)

Comart fires Boston chief Loconte over rift

By ALAN RADDING

BOSTON—A key executive at Comart/KLP Group's 3-month-old sales promotion shop here was suddenly dismissed last week, causing the shop to briefly shut down.

Comart/KLP President Vincent Sottosanti, based in New York, gave John Loconte his walking papers after what Mr. Sottosanti described as a "business disagreement." Mr. Loconte was Comart/KLP exec VP as well as head of this office.

The shop, which closed on Feb. 28 and reopened March 2, is the first U.S. start-up for London-based Comart/KLP Group.

The group positions itself as the world's biggest international sales promotion and direct-response marketing company, and traditionally grows through acquisitions.

Exec VP Irwin Towers, based in New York, temporarily will head the office until a permanent, locally based manager can be found.

Mr. Sottosanti, who is also president of the Council of Sales Promotion Agencies, said Mr. Loconte's dismissal isn't an indication that Comart is disillusioned with the opening of the office here.

"We're trying to verify some numbers," he added, declining to elaborate.

Chief Financial Officer Donna Pantaleo accompanied Mr. Sottosanti to Boston.

According to figures provided by Mr. Loconte, the office generated more than $1.2 million in revenue since opening in late October (AA, Feb. 20). It hadn't yet been named agency of record for any clients.

Mr. Loconte said he was surprised by the dismissal

(Continued on Page 74)

Saatchis feel new pressure as exec exits

By LAUREL WENTZ

LONDON—Saatchi & Saatchi Co., under pressure from the financial community to keep up its strong earnings growth, was under a different kind of pressure last week.

An executive defection and complaints from one of the group's key U.S. agency executives about bonuses have exacerbated the Saatchis' already delicate task of satisfying the "City," London's version of Wall Street.

In a major change, David Newlands, 42, is leaving his post as group finance director at the Saatchi holding company here to become finance director of General Electric Co.'s London operation.

Mr. Newlands will be replaced by Andrew Woods, 45, the New York-based group deputy chairman and chairman of Saatchi & Saatchi Holdings USA. Mr. Woods was in charge of acquisitions and responsible for building U.S. operations.

Saatchi watchers here suggest the company no longer wanted a heavyweight finance executive at the small U.S. unit now that the company isn't doing large deals there. The departure of another S&S Holdings USA executive, Deputy Chairman Anne McBride, was announced in January.

"Saatchi has bought what they're going to buy in America [on the communications side], and now they're going to concentrate on growing what they've got," a U.K. analyst said. "They're running down the [holdings unit]. Saatchi is good at [redeploying] resources."

Later in the week came the news that Carl Spielvogel, chairman-ceo of Saatchi's Backer Spielvogel Bates Worldwide, was "surprised" to read in Saatchi's annual report that the company's directors had voted themselves stock options during the past year.

The annual report records a 25% pay increase for Saatchi Chairman Maurice Saatchi and an unnamed director, presumed to be Charles Saatchi, to $1.1 million each in 1988, following a 77% increase in pretax profits the previous year. This compares with 1987, when the brothers enjoyed a 40% salary hike.

Mr. Spielvogel said he'd tried to get stock for his senior executives and was told there was none available.

The Saatchis have problems issuing large amounts of stock to employees because the price is depressed and so much stock has been issued for acquisitions.

"I'm trying to protect the interest of our key people," said Mr. Spielvogel. He said receiving stock is important because "we've thrown in with the worldwide parent company. There is supposed to be synergy, and you get that by everyone working to increase the value of the stock."

He said he was surprised that Mr. Newlands resigned. "We had a very good working relationship," Mr. Spielvogel said.

The latest developments don't help the Saatchis, who are grappling with an up-and-down image within the financial community.

"I think they're still viewed with suspicion," a U.K. analyst said. "They've used the City like a piggy bank [to raise money]. . . . But Maurice [Saatchi] hasn't come out from his closet. . . . People feel that unless they can talk to the key movers, they can't really trust them."#

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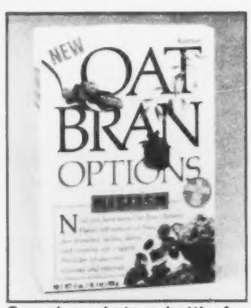

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Ayer feels the heat as BK, FCB meet

By SCOTT HUME

Burger King Corp. may decide soon whether to keep N W Ayer, and retention isn't the likeliest of the company's three options, insiders say.

The betting is that Burger King will choose between throwing the account open to a full review or simply putting the $150 million-to-$200 million account in the lap of Foote, Cone & Belding.

FCB's chances appeared to have strengthened after several top-level Burger King executives visited the agency's Chicago offices March 1.

The following day, Ayer Vice Chairman Jerry Siano visited Burger King on what agency sources say was an attempt to get continuing approval for the New York agency's work on a successor to the "We do it like you do it" campaign.

A Burger King spokeswoman said she "wouldn't say that FCB was pitching the account" but didn't deny the meeting concerned the No. 2 hamburger chain's national account.

The agency had already pitched the account last fall and believed it had the business until the unexpected ouster in December of Exec VP-Marketing Anthony Lavely.

An agency decision could come before parent Grand Metropolitan puts a new chief marketing executive in place at the chain.

One source said Burger King Exec VP-Director of Marketing Don Dempsey wanted CEO Barry Gibbons "to see what FCB has come up with before making any decision. FCB is ready to go on the account; they're an option."

FCB's Chicago office already is on Grand Met's roster, handling its Pearle Health Services unit.

FCB executives didn't return phone calls.

Ayer wasn't told about last week's FCB meeting, Ayer insiders said. Neither were any of the franchisees contacted.

"There is an awful lot of pressure right now to make changes" throughout Pillsbury Co., including Burger King, said one company insider. "Pressure to remove Ayer is part of that."

But Burger King maintained "nothing really has changed."

"N W Ayer is still our agency of record," the spokeswoman said.#

Gary Levin in New York contributed to this story.

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FOCUS ON AGENCIES

Shops shape up for foreign growth

By GARY LEVIN

Dramatic increases in international ad spending—and a simultaneous slowdown in U.S. growth—is leading major U.S. agencies to reorganize.

These agencies are focusing their attention on getting better management, more services and better profits in overseas operations *(see related story, Page 75)*.

Much of their attention is focused on Europe, where the removal of panregional marketing barriers by 1992 is causing account consolidation and market expansion.

Some shops are also narrowing their lists of primary competitors by the nature of the business they pitch, and an elite group of truly "global" agencies is emerging to chase panregional accounts.

In recent moves:

- BBDO Worldwide and Lintas: Worldwide set up a European board of directors and an "executive group," respectively. Also, Lintas named Barry Day vice chairman and director of international advertising development, a new post, from assistant to the chairman of parent Interpublic Group of Cos.
- Ogilvy & Mather named a European creative director and a new European chairman, eliminating three "subregional" posts.
- DDB Needham Worldwide moved its international headquarters to Paris from New York but added a new exec VP post in New York to run global accounts.
- J. Walter Thompson Co. and BBDO also have named executives or new agency units to exclusively manage multinational accounts. "You will see a cadre of people who will work cross-culturally and multilingually," said Simon Marlow, exec VP and director of a new multinational unit at BBDO.

Many of these moves are designed to boost the international fortunes of agencies that have tried to play catchup to several shops with long-established overseas offices, including Interpublic's Lintas and McCann-Erickson Worldwide; O&M; JWT; and Young & Rubicam.

Below that tier, a middle group of agencies is rapidly expanding their international networks. That group includes Omnicom Group's BBDO and DDB Needham, along with D'Arcy Masius Benton & Bowles and Foote, Cone & Belding Communications, which this month completed its joint venture with France's Publicis.

Finally, a group of smaller shops struggling to build international networks—including N W Ayer, Bozell Inc. and Ketchum Advertising—will find it harder to attract extensive multinational accounts.

"In general, with the globalization I clearly see that eventually we will see maybe three or four super global agencies that are truly worldwide," said Jagdish Sheth, the Robert E. Brooker Distinguished Professor of Marketing at the University of Southern California, Los Angeles.

He views Saatchi & Saatchi Co., Japan's Dentsu and Y&R as the most likely major agencies in this group, to emerge "by the turn of the century at the latest.

"Then you will see second-tier players who will begin to specialize by industry, and they would like to go global . . . but in a niche market," he said.

In these cases, agencies would have a few large clients on a worldwide basis or several smaller ones in industries such as banking and telecommunications.

Mr. Sheth predicts a third tier of shops will specialize in a single medium such as print advertising, TV or direct mail.

Dollars and sense are stirring this rethinking. Last year, Ogilvy Group's international revenues for the first time outweighed its U.S. business, and nearly every other major agency has grown increasingly dependent on foreign income to fuel growth.

Close to 56% of JWT's new-business gains in 1988 came from outside its U.S. network.

"Any large agency concerned with continued revenue growth has got to be putting emphasis on building multinational accounts," said Allen Rosenshine, president-ceo at Omnicom, whose international business represents a third of its total revenues, up from 27% in 1986.

Ayer expects international revenues to account for more than a third of its total this year, up from 20% in 1987, due partly to increased ownership of overseas affiliates.

As a percentage of total billings and revenues, "foreign share is almost universally going up," said Alan Gottesman, analyst at Paine-Webber Group.

Robert Coen, senior VP-director of forecasting at McCann, earlier predicted that in 1988, for the first time, overseas spending would outpace U.S. advertising, $121.4 billion to $118.3 billion. For 1989, he projects overseas ad spending will rise 12% to $136 billion, while U.S. spending will climb just 6.1% to $125.6 billion (AA, Dec. 19).

William C. Thompson Jr., JWT vice chairman-client operations, said the overseas growth goes beyond 1992.

"1992 is a precipitating element for sure, but it doesn't change what multinational companies are trying to do" in expanding their brands to more countries, he said.

Instead, the deregulation "gives them a finite time frame in which it has to be done; it adds a sense of urgency, [but] the growth is there anyhow," Mr. Thompson said.

Unlike the early 1980s, "the U.S. [now] is a saturated market with minimal growth," said Peter Georgescu, president of Y&R Advertising.

Agencies are also expanding their non-media ad businesses overseas.

Backer Spielvogel Bates Worldwide is spreading its Kobs & Draft direct-marketing agency into every major European market. Y&R plans to buy event and sports marketing companies in Europe and expects that 40% of its business there will be outside media advertising by yearend.

But international growth has brought some disagreements in strategy. Some believe that agencies have to be "available everywhere with the same homogeneous kind of service," said Bernard Brochand, president-international at DDB Needham. "When you get it and offer the right service, you have great potential to increase the loyalty of the client and so to have some security."

But others disagree and expect to see global agencies closing or merging unprofitable second offices in some countries, and even reducing investment in marginal countries in which there's relatively little client interest.

As clients align businesses with global agencies, some shops are concerned that purely local clients will get less attention. More than 40% of O&M's worldwide business comes from multinationals, "but we're not anxious for it to become much higher," said Kenneth Roman, chairman-ceo of parent Ogilvy Group.

"If [local offices] only have international accounts, that says they can't win business on their own," he said. "If they only have local accounts, then who needs us as partners?"

Still, agencies with panregional assignments often must invest in new offices for a single client, forsaking short-term profits.

They sometimes negotiate "coordination fees" to compensate for these costs and for the logistical demands of handling business in several countries.

But even these don't often help, despite an overseas commission system that more typically amounts to 15% of spending than it does in the U.S.

"Generally speaking, in my experience there's considerable strain on agency profitability even with coordination fees, because we haven't developed sufficient systems," Mr. Rosenshine said. Clients "do not like to be the product of cost-efficiencies. They like attention, and attention is another human being."#

Jon Lafayette in New York and Kevin Cote in London contributed to this story.

INTERNATIONAL AGENCY REVENUES

International revenues as a percentage of total agency revenues continues to outpace U.S. gains.

Agency	1985	1986	1987	1988	1989
FCB	24%	27%	30%	31%	10%[1,2]
Interpublic	51	56	61	62	63[1]
Ogilvy Group	37	43	50	53	53[1]
Omnicom Group	21[3]	27	33	34	35[1]

[1]Estimate. [2]Reduction due to new joint venture with Publicis; those results to be reported separately. [3]Restated to include merged operations (Omnicom formed in '86).
Source: PaineWebber, company reports

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Bernard Brochand plans international growth through acquisitions.

DDB's Brochand is eager to buy

By GARY LEVIN

Bernard Brochand, the newly installed president of DDB Needham Worldwide's international unit, plans to resume an aggressive acquisition policy to boost the agency's presence in Europe and the fast-growing Asia/Pacific region.

Aside from joint venture deals, such as one with Japan's Dai-Ichi Kikaku, "there have been no acquisitions since the Omnicom merger," Mr. Brochand said.

"The growth has been internal," he said. "But that will not be sufficient to grow our international [operations], and we will again come to a strong policy of acquisitions in Europe and in Asia, not only with general agencies but in 'below-the-line' " marketing services.

The agency has been affiliating with or acquiring minority stakes in some foreign shops since the 1960s with an eye toward increasing its ownership. Under Mr. Brochand's plan, it will expand that approach to include outright acquisitions.

Top priorities for boosting the agency's foreign operations include West Germany and the U.K. in Europe, and South Korea, Singapore and Taiwan in Asia, Mr. Brochand said.

A week before Mr. Brochand became president-international on Jan. 25, DDB Needham signed an affiliation agreement with Daehong Advertising in Seoul, a $143 million agency ranked second there that

(Continued on Page 76)